

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE

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E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: YUGOSLAV INTEREST IN GSP

REF: BELGRADE 3713

1. PLEASE TRANSMIT FOLLOWING LETTER TO FOREIGN TRADE
SECRETARY LUDVIGER FROM AMBASSADOR DENT.

2. BEGIN TEXT THANK YOU VERY MUCH FOR YOUR RECENT LETTER
CONCERNING THE UNITED STATES SYSTEM OF GENERALIZED
PREFERENCES AND ITS EFFECT ON US-YUGOSLAV TRADE. I HAVE
REVIEWED YOUR LETTER AND CAN ASSURE YOU THAT YOUR VIEWS
WILL BE TAKEN FULLY INTO ACCOUNT. I HAVE THE FOLLOWING
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COMMENTS ON THE SPECIFIC POINTS YOU RAISE.

TOUCHING FIRST ON THE US TRADE POLICY STAFF COMMITTEE'S REVIEW OF PETITIONS FOR CHANGES IN THE PRODUCTS ELIGIBLE FOR GSP, YOUR COMMENTS ON PRODUCTS OF CONCERN TO YUGOSLAVIA HAVE BEEN TRANSMITTED TO THE COMMITTEE AND WILL BE TAKEN INTO CAREFUL CONSIDERATION DURING ITS DELIBERATIONS. THE COMMITTEE HAS JUST CONCLUDED PUBLIC HEARINGS ON A NUMBER OF THE PETITIONS, AND IS CURRENTLY EXAMINING THE MERITS OF THE VARIOUS CASES. I SHOULD LIKE TO POINT OUT THAT ALTHOUGH, AS YOU MENTION, YUGOSLAV EXPORTS OF

THESE ITEMS ARE RELATIVELY SMALL, THERE ARE OTHER DEVELOPING COUNTRIES THAT ALSO EXPORT THESE PRODUCTS TO THE US. IT IS THE TOTAL AMOUNT OF IMPORTS AND THEIR EFFECT ON US INDUSTRY AND EMPLOYMENT THAT THE COMMITTEE HAS TO CONSIDER.

REGARDING CHAIRS (TSUS ITEM 727.30) AND YOUR COMMENTS ON THE COMPETITIVE NEED PROVISION OF THE TRADE ACT, I WOULD LIKE TO POINT OUT THAT THE CUTOFF POINT FOR COMPETITIVE NEED IN 1976 IS 26.6 MILLION DOLLARS WHICH IS IN THE SAME RATIO TO 1975 GNP AS 25 MILLION DOLLARS WAS TO 1974 GNP. COMPETITIVE NEED WAS INCLUDED IN THE TRADE ACT SINCE THE PURPOSE OF THE GENERALIZED SYSTEM OF PREFERENCES IS TO HELP NEW INDUSTRIES IN DEVELOPING COUNTRIES GAIN MARKET ACCESS TO THE US. ANY COUNTRY THAT EXPORTED MORE THAN 26.6 MILLION DOLLARS OF A PARTICULAR PRODUCT TO THE US IN 1975 IS CONSIDERED TO BE COMPETITIVE. A WAIVER FROM COMPETITIVE NEED FOR YUGOSLAVIA IS NOT POSSIBLE, AS WE ARE NOT AUTHORIZED TO DO THIS UNDER THE TERMS OF THE TRADE ACT. HOWEVER, IF YUGOSLAVIA SHOULD GO OVER THE 26.6 MILLION DOLLAR CEILING IN 1976, YOU MAY STILL RECEIVE GSP ON THIS ITEM UNTIL MARCH 1, 1977, WHEN THE NEXT ANNUAL DETERMINATION CONCERNING COMPETITIVE NEED EXCLUSIONS BECOMES EFFECTIVE. WE BELIEVE ON BALANCE, YUGOSLAVIA IS HELPED BY THE COMPETITIVE NEED FORMULA. THERE ARE MANY CASES WHERE OTHER COUNTRIES ARE ELIMINATED GIVING YUGOSLAVIA A COMPETITIVE ADVANTAGE. IN ANY CASE, COMPETITIVE NEED WILL NOT BE TRIGGERED IF YUGOSLAV IMPORTS OF CHAIRS

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REMAIN UNDER THE COMPETITIVE NEED LIMITS IN 1976.

WITH RESPECT TO YOUR SUGGESTION TO DIVIDE THE TSUS ITEM 727.30 INTO TWO SEPARATE CATEGORIES TO REDUCE THE LEVEL OF EXPORTS IN EACH IN ORDER TO FALL UNDER THE COMPETITIVE NEED LIMITS, I REGRET THAT WE WOULD VIEW AN ACTION OF THIS KIND TO BE A CONTRAVENTION OF THE INTENTION OF CONGRESS.

YOUR REQUEST TO HAVE ORIENTAL TOBACCO INCLUDED IN GSP
HAS ALSO BEEN NOTED AND WILL BE CONSIDERED. HOWEVER,
I DO NOT WANT TO ENCOURAGE YOU TO EXPECT FAVORABLE
ACTION AT THIS TIME INASMUCH AS TOBACCO HAS ALSO BEEN
REQUESTED BY OTHER COUNTRIES FOR INCLUSION IN GSP AND
FOR MFN TARIFF REDUCTIONS IN THE CONTEXT OF THE MTN
ON TROPICAL PRODUCTS, AND WE HAVE NOT BEEN ABLE TO
AGREE TO SUCH REQUESTS. SINCERELY, END TEXT. KISSINGER

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